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April 16, 1997

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APR 16 1997

Federal Communications Commission  
Chief of Secretary

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, DC 20554

RE: Notification of Written Ex Parte Communication: Access Charge Reform  
CC Docket No. 96-262

Dear Mr. Caton:

The attached letter regarding Access Charge Reform was sent today, on April 16, 1997, to Chairman Hundt. In this letter, TCG and CompTel recommended reforms to the Residual Interconnection Charge (RIC). An original and two copies of this letter are being submitted in accordance with Sec. 1.1206(a)(1) of the Commission's rules.

Thank you very much for your assistance in this matter.

Sincerely,

Judith E. Herrman  
Manager, Federal Regulatory Affairs

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Federal Communications Commission  
Office of Secretary

April 16, 1997

Honorable Reed E. Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

RE: Ex Parte Communication -- Access Charge Reform (CC Docket 96-262)

Dear Chairman:

The Competitive Telecommunications Association (CompTel) and Teleport Communications Group Inc. (TCG) wish to jointly propose a solution to an important aspect of the FCC's pending reform of its access charge rules -- the treatment of tandem transport and the Transport Interconnection Charge (TIC).

CompTel is concerned that the access reform proposals that have recently been presented to the Commission by some parties ignore network configuration realities and would result in access charge increases for small IXCs. TCG is similarly concerned that these access charge proposals will not encourage the development of facilities based local competition. CompTel and TCG have discussed these issues together and have identified a set of access charge reforms for tandem transport and the TIC that will meet the needs of both the competitive local and long distance industries.

Ours is, therefore, a "Competitor's Solution" to access reform. It will allow the Commission to: (1) make real and lasting reforms to the TIC that will allow market forces to reduce the TIC; (2) allow continuation of the existing tandem rate structure; and (3) for the first time give competitive local carriers a fair opportunity to compete for tandem switched access traffic, leading to a substantial expansion of facilities-based local competition. These proposals will set the stage for meaningful rate decreases.

Our joint proposal consists of the following three elements:

- (1) IXCs and CLECs that do not use transport facilities supplied by the incumbent local exchange carrier would be exempt from paying the Transport Interconnection Charge (TIC) for any switched access traffic carried over those facilities.

- (2) ILEC charges for the TIC cannot be geographically deaveraged within a state for five year transition period; and
- (3) The current "unitary pricing" option for tandem transport would be made permanent.

The most important element of our joint plan is the exemption from paying the TIC on traffic where the ILEC's transport services are not being used. This is a solution to the problem of the TIC that was adopted by the Colorado Public Utilities Commission.<sup>1</sup> Additionally, in its interconnection arbitrations TCG was able to negotiate a reduction in switched access charges where TCG provides the transport with three different RBOCs: BellSouth, Pacific Bell and New York Telephone. The access charge reductions which TCG was able to voluntarily negotiate with these ILECs range from 90% to 156% of the TIC, which suggests that the Colorado result is one which is both reasonable and workable. The TCG-CompTel proposal, being consistent with these negotiated results, has the potential to extend the benefits of lower switched access rates to most parts of the country so that consumers in nearly all States will enjoy the benefits of lower long distance rates and a more competitive local exchange market.

The simple logic is that a carrier that is not using the ILEC's *transport* services should not have to pay for a *Transport* Interconnection Charge. This exemption will encourage the construction of competitive access facilities by competitive local carriers. Additionally, because IXCs will enjoy rate reductions when they use competitive transport facilities, the exemption will create a powerful marketplace incentive for the ILECs to rationalize their rate structures for access. The beauty of the "Competitor's Approach" to access reform is that it continues the unitary pricing of tandem transport, while at the same time it provides, for the first time, a legitimate economic opportunity for local competitors to offer competing access tandem services. It is truly a "win-win" for the industry and for consumers.

An important component of the plan, and one essential for its complete success,

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<sup>1</sup> See TCG Colorado and US West Communications, Decision Regarding Petition for Arbitration, Decision No. C96-1186, Docket No. 96A-329T, adopted Nov. 5, 1996; Order Denying Applications for Decision No. C96-1186, Docket No. 96A-329T, adopted Nov. 5, 1996; Order Denying Applications for Rehearing, Reargument, or Reconsideration", Decision No. C96-1344, Docket No. 96A-3 28T, adopted Dec. 18, 1996. The Colorado Commission said that if US West "is not providing the transport of a call from an end-office switch to an IXC, then USWC may not apply its switched access transport rates, including the RIC, to those calls."

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is a requirement that the ILEC's TIC not be geographically deaveraged for five years within a State. This requirement is necessary to ensure that all consumers -- rural, suburban and urban -- enjoy the fruits of the cost reductions that competition will induce. By contrast, allowing geographically deaveraged TIC rates would simply result in ILECs reducing the TIC to zero in those offices where they currently face, or expect to face, competition, and recapturing all of those revenues by increasing rates at offices where customers today have no choice in alternative local providers. Requiring that the TIC be maintained on a geographically averaged basis will ensure, therefore, that the competitive pressures that encourage rate reduction in the TIC will benefit all users in the State. Such a requirement is also consistent with the Commission's past practice of not allowing deaveraging until competition has genuinely developed in a marketplace.

CompTel and TCG believe that these simple proposals provide a viable and effective solution to the problems of reforming the Transport Interconnection Charge and tandem rate structure. CompTel and TCG intend by this joint letter to address only issues relating to the TIC and tandem transport. We encourage the Commission to adopt these principles in its upcoming rulemaking on access.

Sincerely,



James M. Smith  
President  
CompTel



Robert C. Atkinson  
Senior Vice President  
Teleport Communications Group Inc.

cc: Commissioner Chong  
Commissioner Ness  
Commissioner Quello

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bc: Tom Boasberg  
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